

A-12 Honolulu Star-Bulletin Thursday, December 7, 1983

## Rewald Investment Results in Lawsuit

The Physicians' Protective Association of Hawaii yesterday filed a \$1.25 million suit against its former attorney — who also was a consultant to Ronald Rewald — for investing the association's money in Rewald's defunct investment company. Bishop Baldwin, Rewald, Dillingham and Wong.

The suit alleges that Russell D.C. Kim put \$250,000 into Rewald's company while acting as attorney for both the physicians' organization and Rewald.

Rewald's company was forced into bankruptcy in September and some \$12 million in investors' money was found to be missing. Rewald has been charged with the theft of investors' money.

The Physicians' Protective Association wants Kim to pay back the \$250,000 the association lost as well as paying \$1 million in punitive damages. The physicians'

fund is used to defend doctors in malpractice suits.

The suit was filed in Circuit Court yesterday by attorney Richard K. Griffith.

In an interview shortly after the collapse of Rewald's company, Kim said he expected the physicians' association to eventually take some action against him. But he said he only invested the funds with the approval of the association's board of directors.

Kim also said he thought the money was being invested by Rewald's firm and was surprised anyone else when the company was forced into bankruptcy.

ADVERTISER #12/1/83  
**Lawyer sued over funds**

Honolulu attorney Russell D.C. Kim was sued in Circuit Court yesterday by the Physicians' Protective Association of Hawaii which claims that he transferred \$250,000 of its funds to an account with the bankrupt firm of Bishop, Baldwin, Rewald, Dillingham and Wong.

The suit says Kim was the association's attorney when he transferred the funds in five installments from September 1982 to last April.

# Report

The Honolulu Advertiser  
Friday, November 11, 1983

present in Waipahu wells that have • One laboratory, the U.S. Geo- there is no firm scientific evidence EDB or DBCP.

## Energy deal with Rewald cited

### \$15 billion misunderstanding

By Rick Carroll  
Advertiser Staff Writer

The line forms at the rear. James Edwin Smith, president of Innovation Associates Inc. of Honolulu, was told by a federal judge yesterday to join the line outside the bankruptcy clerk's office.

Smith told the court he had a deal last year with his "personal friend," Ron Rewald, chairman of the bankrupt Bishop, Baldwin, Rewald, Dillingham & Wong.

The 41-year-old Rewald, accused of bilking 400 investors of \$20 million, remains in jail, unable to make bail since his arrest last August.

Rewald, according to court documents, agreed in September 1982 to front Smith \$60,000 to fulfill his dream of converting the United States and Japan from gasoline to hydrogen by creating plants in Hawaii, the Marianas and Puerto Rico for ocean thermal energy conversion or OTEC.

There's a slight hitch. Rewald's firm "went under." Smith told federal Judge Martin Pence, (and) "we don't have any money."

Smith tried to persuade the

trustees in bankruptcy for Rewald to complete the deal — and advance the cash.

By a complex arrangement involving international banks and a Mainland mystery millionaire, Smith said he could raise enough funds to make Rewald's \$200,000 bail and even fulfill his obligations "to the extent of several million dollars, if necessary."

All Smith needed was \$60,000.

The money would enable him to obtain "a line of credit for \$15 billion" through "a man in Ohio named Ellington" from a large international bank in London or Zurich which, in turn, would create a windfall commission.

"We would get a 2 to 6 percent guaranteed net," Smith assured.

That, he said, not only would close the deal but also help bail Rewald out of his current cash flow predicament.

"All the pieces are in place," Smith said. "All we need is \$60,000."

The judge looked astounded. "Is that M. million or B. billion?" Judge Pence asked.

"B. billion," Smith replied. "I don't understand this," the judge said. "Can you tell me what it means? Where's the milk

Smith claimed such "interswap transactions" are routine and insisted the \$60,000 would never be at risk.

"The money stays in a bank in Hawaii," he said.

Attorney Don Gelber, on behalf of BBRD&W trustees, accused Smith of "attempting to force the trustees into a business situation — we don't even know if it's legal" and asked the judge to deny the motion.

"Our plan of action," he said, "is to liquidate, repay creditors."

The judge denied the motion.

"It would be improper," he said, "to permit the Rewald trustees to enter into any new venture. I cannot, I will not grant the petition."

"You know," Smith countered. "I will become a creditor."

"You can file a claim," Judge Pence said.

"I'm going to lose . . ." Smith argued.

The judge interrupted.

"I'm shutting you off," he said.

"I can't be concerned if you are going to lose 1 percent or 6 percent of any percent of \$15 billion. There are others who've lost, out-of-pocket, what? \$1.1 million.



## police beat

### Wife still held in slaying of dairy owner

A former Miss Hawaii, Gertrude Kapiolani "Kappy" Miller Toledo, remained in police custody yesterday as police continued their investigation of the shooting death of her 53-year-old husband, Robert Vierra "Bobby" Toledo.

She was arrested as a suspect after her husband was found dead at their Waianae home about 10 a.m. Monday. Police said the shooting followed a domestic quarrel.

Deputy medical examiner Alvin Omori said Toledo died of a gunshot wound to the chest. Toledo was owner of Hawaii's largest dairy, Twin Pines Dairy. He also served as president of the Oahu Dairy Cooperative.

Mrs. Toledo would be freed by 12:40 p.m. today in accordance with an internal Police Department rule if police do not bring charges against her. The rule allows police to hold suspects for 48 hours, after which time the suspects would either be charged or be freed.

Nov 27, 1985

## Bishop, Baldwin trustee trying to collect \$2 million owed firm

By Walter Wright  
Advertiser Staff Writer

Outsiders owe \$2 million to the defunct firm of Bishop, Baldwin, Rewald, Dillingham and Wong, the bankruptcy administrator said yesterday.

Thomas Hayes said he will sue if necessary to collect the money.

Some of the amount owing was paid out as interest on accounts which company founder Ronald Rewald set up for different individuals "with the stroke of a pen" by "crediting" the account with funds, Hayes said. He said he could find no business reason for the credits given to certain individuals.

Also due the company, Hayes said, are the amounts any legitimate investors took from the company in excess of the amount they invested during the year before the bankruptcy.

In other words, if an investor placed \$100,000 with the company, collected \$15,000 in interest, then withdrew his \$100,000, the estate will now attempt to recover the \$15,000, he said.

The administrator said his staff is analyzing a 619-page computer print-out of banking activity by the company.

Preliminary indications are that a total of \$22.7 million flowed into investor accounts, and that \$13 million of that was still "on deposit" when the company closed down in August.

Once "phony transactions" and excess interest is washed out, the net amount owing is about \$11 million, Hayes said.

He said records also now indicate that as much as \$1 million went through Rewald's personal account. It is not known if any of that money was received directly from investors, or if it came through the company, Hayes said.

## Rewald says he was student spy

Ronald Rewald says he worked for the CIA in 1963 spying on radical groups at the University of Wisconsin. Money magazine reported yesterday.

The disclosure fills a gap left by CIA censorship of Rewald's own affidavit in the case.

Money said it had obtained a document which "appears to be an early unsigned draft of the complete affidavit." It said Rewald got \$120 a month from the CIA for nine months in the early 1960s.

The affidavit also contained Rewald's claim that a CIA man in Chicago in 1977 told him to volunteer his services to the station chief in Honolulu, that he did so, and that the chief helped him turn his little company into a worldwide operation used

by the CIA for communication with agents.

Thomas Hayes, administrator of Rewald's bankrupt firm, said he understood Rewald met Honolulu CIA station chief John Kindschi at a social event. Hayes has said the company was reimbursed something less than \$1,500 by the CIA for telex and telephone charges.

In a seven-page article, the national magazine said Rewald "gulled" Hawaii despite the fact that "anyone who cared to investigate Rewald's origins in Milwaukee could easily have learned" about the fact that he had not graduated from Marquette University as he claimed, that he had filed for bankruptcy there and also been convicted of violating Wisconsin's franchise investment law.

# MONEY

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SPECIAL REPORT

## SECRETS OF SUCCESSFUL SMALL INVESTORS

How they've outpaced  
the pros—and how  
you can too

In only three years,  
Rebecca Marek  
of Houston  
has doubled her  
money in stocks



**SCAMS**

# WITH GUILE THIS MAN



*The police booked Ronald  
Reald on theft charges  
when he was well enough  
to leave the hospital af-  
ter attempting suicide.*

# AND GALL, GULLED HAWAII

by Marlys Harris

**O**n the evening of Friday, July 29, 1983, Ronald Ray Rewald, 41, chairman of the Honolulu investment firm of Bishop Baldwin Rewald Dillingham & Wong, checked into the Sheraton Hotel on Waikiki's tourist-packed main drag. At four o'clock the next afternoon, in a routine inspection of rooms, the assistant manager found Rewald lying in a pool of blood. Using a razor blade, he had slashed deep into his wrists and left forearm in an unsuccessful attempt to kill himself.

His near suicide followed a local television news report contending that Rewald was not the successful and upstanding businessman he claimed to be. This combination of events was one of the biggest bombs to hit Honolulu since Pearl Harbor. Several hundred people—celebrities, prominent businessmen and top-ranking military men, as well as middle-income families and even widows of modest means—had a total of \$12 million invested with the firm.

During the next week, investors frantically pounded at the locked doors of Rewald's impressive 26th-floor offices in Honolulu to demand their money. Letters from troubled clients on the mainland began pouring in too. But Bishop Baldwin's doors were locked for good. On Friday, Thomas E. Hayes, whom the court had appointed interim bankruptcy trustee, gave investors the bad news: he had found no evidence that Bishop Baldwin "owns or holds any assets . . . that begin to equal the amount of investments outstanding."

Ultimately, a federal court would assert that Ronald Rewald had operated a Ponzi scheme—the time-worn scam in which a promoter pockets investors' principal while stringing them along with interest paid out of funds obtained from newcomers to the deception. But Rewald's was a particularly stunning example, not so much in terms of the money involved as in his sheer gall and the depth of his victims' trustfulness.

How did so many people—often college edu-

cated, well connected, sophisticated—succumb to such a swindle? By taking Rewald on faith and his firm at face value. They asked no questions, or if they did, they heard the answers they wanted to hear. What's more—and it's hard to blame them for this—they put their confidence in people and institutions that were supposed to guard their interests: lawyers and financial planners, who had referred them to Bishop Baldwin, the Securities and Exchange Commission, the Internal Revenue Service and other government agencies. Many clients became unwitting accomplices, recommending Rewald to colleagues and acquaintances. Nobody ever checked Rewald's background—not even, it appears, the master checkers at the Central Intelligence Agency, with whom Ronald Rewald says he was deeply involved.

Rewald's firm had inspired trust. The names Bishop, Baldwin and Dillingham were those of *kamaaina* families—the 19th-century pioneers in Hawaii who had built large fortunes and whose names still enjoy considerable influence in the Islands. Rewald's firm claimed to have 24 "consultants," many of them lawyers, accountants and insurance specialists. In addition to the investment accounts that it managed, the firm offered individuals and businesses a wide range of services, from "Estate Coordination" to "Psychiatric Evaluation of Personnel." A network of Bishop Baldwin offices spanned the globe from London to Tahiti, where the company supposedly entertained clients on a double-hulled canoe.

There was comfort too in the firm's claims that the Federal Deposit Insurance Corporation insured investors' money for up to \$150,000. The accounts were also said to be tax deferred, and Rewald promised 20% annually—a generous return, although not so huge as to provoke utter disbelief.

Rewald himself radiated wealth and respectability. With his wife Nancy, 41, and a brood of five well-mannered teenagers, he lived in a mansion in Honolulu. He also owned a fleet of classic cars, two Hawaiian ranches and a string of polo ponies, including one named Gucci. His Marquette University diplomas in business and law bespoke legitimacy, and his mentions of a stint in professional football commanded admiration. He numbered among his friends Lieu-

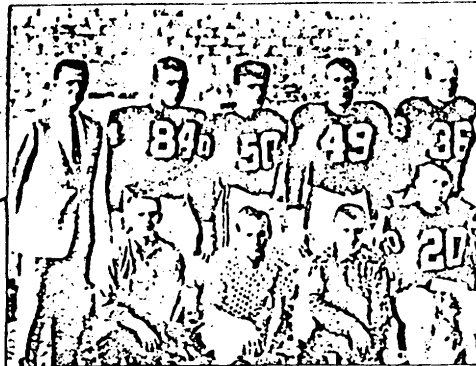
Some 300 trusting investors lost \$12 million in a stunning example of a Ponzi scheme. When the scandal broke, it erupted over the Islands like Kilauea.



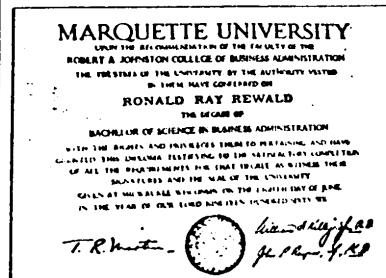
Bishop Baldwin brochures described worldwide offices. In Tahiti, clients supposedly were entertained on a double-hulled canoe.

Reporter associates: Laura Meyers, Lisa Redd, Nancy Stesin

**REWALD, RONALD** "Swivel Hips" Elective  
Football; Track; Cardinal Men's Club.



*Rewald (No. 84) falsely claimed a pro football career. His high school yearbook listed him as on the team, but he rarely played. The diploma is forged.*



tenant Governor John Waihee, TV actor Jack Lord and other notables. News of his doings regularly made the society pages, and the business pages respectfully quoted his views on the international economy.

Alas, most was sham: The degrees, the football career, the business expertise. No ruling-class Bishops, Baldwins or Dillinghams were associated with the firm. Rewald just appropriated the names. Most of the worldwide offices were little more than mail drops. The FDIC protection was bogus too; the federal government covers only bank accounts and not for more than \$100,000 each.

Today Rewald resides at the Oahu Community Correctional Center, charged with two counts of first-degree theft. He has no money to pay his \$200,000 bail because the court declared his firm bankrupt and froze his personal assets. He has pleaded not guilty, and federal and state grand juries are conducting investigations. Also, last August the SEC filed a complaint against Rewald in federal court for civil securities fraud. More than 200 investors are lined up as creditors in bankruptcy court. A hundred or so have not stepped forward, partly out of embarrassment but also because they figure they have little to gain. Those who have filed claims don't know if they will ever see a nickel.

Anyone who cared to investigate Rewald's

origins in Milwaukee could easily have learned that he was a résumé puffer and a small-time cheat who had earned not degrees or football laurels but a conviction for business fraud. At South Division High School, his grades were mediocre. Except for his high school sweetheart, Nancy Imp, whom he married in 1962, Rewald was a loner. He joined the football and track teams, but according to Pat Jankiewicz, who then coached both sports, "Ronnie had limited ability as an athlete." He rarely played in a game and did not win a varsity letter. Rewald never went to Marquette; he didn't even complete his graduation requirements at the Milwaukee Institute of Technology, the junior college that he attended in 1961-63.

Rewald filed an affidavit with the court that was censored heavily by the CIA before it was made public. *Money* has obtained a document that appears to be an early unsigned draft of the complete affidavit. In it, Rewald says that in his second year of college a dean introduced him and another student to a man who said he was from the CIA. The man asked the two students to spend some time at the University of Wisconsin at Madison spying on radical groups. Rewald says he was paid \$120 a week in cash for about nine months' undercover work. The dean says he can't recall the incident.

He quit to take a job as a wholesale sporting goods salesman. It was during this time that Rewald's football exploits took their inflated form. He told people around Milwaukee that he was playing with the semipro Racine (Wis.) Raiders, but the team's records make no mention of him. He did try out for a few professional teams and was one of many in 1965 who signed a contract with the Cleveland Browns, but he never played in a game. Rewald says he spent a summer at the Kansas City Chiefs training camp, but the club does not keep records that would verify his claim.

**A**fter working at his sales job for a year, Rewald acquired 15% of College Athletic Supply Co., a retail chain, using \$12,000 in borrowed funds. In 1972, he borrowed more and bought out his partner. Right away, claims a former colleague, "Ron started manipulating the books to make the company look more profitable." Rewald was two-faced in more areas than double-entry bookkeeping during this period. A pious convert to Catholicism, he started business meetings with prayers. On many afternoons, a former associate relates, Rewald had sexual encounters with various women—one a secretary with the CIA. Before returning to the office, he would stop at Marquette University's chapel for confession.

Cooking the books did not seem to gain Rewald any business advantage. In 1973 he ran short of money and began selling sporting goods store franchises. As the franchisor, Rewald was obliged to keep the stores stocked, but he didn't

Anyone who cared to investigate Rewald's origins in Milwaukee could easily have learned that he was a résumé puffer and a small-time cheat.



When he applied for registration, the SEC asked him about prior federal securities violations, so he didn't tell the agency of his run-in with state law.

have enough capital to do so. Most of the franchises eventually went under.

Even as the small businesses he franchised were struggling, Rewald was proclaiming in an interview that appeared in a September 1974 edition of the Milwaukee Sentinel that his chain was thriving. The article described him as "a Marquette University business administration graduate." He also lied to the reporter in asserting that the loan to buy out his partner had been paid off and that the company regularly leased a plane and other equipment.

Rewald and a former employee were charged that year with criminal violations of Wisconsin's franchise investment law: failing to register with the state and making untrue and misleading statements to franchisees. The two men eventually pleaded guilty to a misdemeanor, and each paid \$2,500 to the franchisees in restitution. In 1975, College Athletic went bust. Soon afterward, Rewald filed for personal bankruptcy. Most of his creditors ate their losses.

Bankruptcy did not humble Rewald. Only seven days after notice appeared in the newspaper of his inability to pay his debts, he ventured into a new area—financial consulting—establishing a company called CMI Investment Corp. When he applied for registration, the SEC asked about prior federal securities violations only, so Rewald didn't tell the agency of his run-in with state law. He did tell the SEC that he was a Marquette graduate. As it routinely does, the SEC approved his registration without checking the information.

With his SEC papers in hand, Rewald moved

his family and consulting business to Hawaii in 1977. He also took with him \$300,000 to \$400,000 raised among Milwaukee friends to open a sporting goods store in the Islands. He told people there that he had earned his capital in a successful business in Wisconsin.

In 1978, Rewald set out to manufacture a brand-new image for CMI, putting out the word that the firm would specialize in investments in the Far East. Rewald and a new partner, Sunlin Wong—who is now cooperating with federal investigators—changed the company name to Bishop Baldwin Rewald Dillingham & Wong. They also had considered calling it Castle & Cooke, which is the name of the sugar and pineapple conglomerate that is to Honolulu what U.S. Steel is to Pittsburgh. In new brochures, the two men endowed Bishop Baldwin with a long history. One mailing said, in a flat lie, that the concern had been doing business in Hawaii for as long as four decades—"since territorial days." Rewald also claimed that the firm "served the past four national administrations."

The *kamaaina* names caught on quickly with investors who never questioned their authenticity. One woman who planned to leave her savings with the firm says she didn't inquire for fear of embarrassment. "I was chagrined that I had never heard of this company. I thought I was ignorant, and I was not going to admit it by asking about those names."

Rewald's extravagant

## Bishop, Baldwin, Rewald, Dillingham & Wong

SECOND QUARTER REPORT - 1983

### ECONOMIC TRENDS

As we begin the second quarter of 1983, a gradual thawing and splintering of the economic freeze is becoming apparent. This change emanates in part from OPEC's mild U.S. winter), the Federal Reserve's monetary expansion program, and a subtle, but positive, economic indicators, and a "blue sky" euphoria.

With the banking purchases, imprudent bank loan policies, aggressive bank lobbying campaigns, interest rates, and the prospect of much below current levels. We do not expect this to spur consumer spending to levels

Signs of success: a mansion and Rolls-Royce; a day at the polo club with Jean Ariyoshi, wife of the governor; and lavish offices



Infatuated with the idea of being a spy, he frequented a club called the Safe House, where waitresses wore abbreviated trench coats and the lights looked like hand grenades.

REWARD

style of living seemed to back up his reputation as a brilliant investment counselor. He lived in a four-bedroom, five-bath waterfront house purchased in 1980 for \$950,000. Four bodyguards protected Rewald and his family. The children went to their music lessons in a chauffeur-driven limousine. In 1982, Rewald bought the foundering Hawaii Polo Club and began pouring money into it. He imposed a dress code and was able to give the club some snob appeal. There he hobnobbed with wealthy foreign businessmen—Enrique Zobel, the Philippine banking billionaire, the Sultan of Brunei and Indiri Gautama, an Indonesian industrialist. Some of them invested with Bishop Baldwin.

Clients were accepted "by referral only." Most people heard about Bishop Baldwin and its high-yielding accounts from trusted friends or business associates—who usually turned out to be consultants in Rewald's pay or friends of consultants. Ken Pickering, a tile layer, and his wife Jean invested \$25,000 two years ago at the suggestion of Bishop Baldwin consultant Richard Spiker. Spiker was a former bank branch manager and a longtime friend. Says Jean Pickering: "I made up my mind to invest on the basis of my friendship with Dick. If I hadn't known him and trusted him, I wouldn't have made this deal." Spiker's lawyer says his client took no commissions. None of the consultants has been charged with any wrongdoing.

Sizable accounts were brought in by consultants. One of them, William Jolly, maintained an active law practice on the so-called Big Island, Hawaii. Lawyer Mark Thomason, who is suing Jolly on behalf of a group of investors, asserts that "when Jolly had a client with a settlement, inheritance or trust, he often would direct the money to Rewald." Thomason estimates that Jolly's efforts brought about \$1 million into Bishop Baldwin coffers. Jolly could not be reached for comment.

Rewald instructed consultants to explain that the firm handled only high rollers. That made small investors drool to get in, and Rewald was always ready to make an exception. Patricia Brug, 49, an Air Force pilot's widow who invested the \$75,000 in insurance she received at her husband's death, was told by a Bishop Baldwin consultant that the company normally didn't accept such small sums but that as a favor she would get Mrs. Brug an account. "That made me feel very fortunate," she says.

Far from being con men, some consultants were investors themselves. Chester Owen, 73, a retired real estate developer, met Rewald in Hawaii and was impressed. He invested \$200,000 with Bishop Baldwin—practically everything he had. When Owen decided to relocate to California last year, Rewald asked him to pass out Bishop Baldwin brochures to friends. On the strength of Owen's say-so, his neighbors in a Santa Maria trailer park, half a dozen relatives in Oregon and a score of their friends in

the Northwest mailed in at least \$600,000.

Rewald displayed a talent for using those he'd sucked in to dupe others. Incredibly, the CIA appears to be one of his victim/recruiters. Rewald had resumed his association with the CIA before he left the mainland. He alleges that in 1977 a CIA man operating out of Chicago told him to volunteer his services to the Honolulu station chief. In the draft affidavit, Rewald asserts that he told the station chief that he, Rewald, had important international clients, although at that time he didn't. He says he was then asked to develop intelligence on China and other countries in Asia. Rewald also claims the station chief helped him transform his little consulting business, CMI, into the far-flung Bishop Baldwin and that the CIA used his offices as clearinghouses for messages to agents.

In reality, his activities on behalf of the CIA seem to have been much more limited. Because his office served as a message center, Rewald's organization was reimbursed by the CIA for some telephone and telex bills. However, Thomas Hayes, now employed as a consultant to the law firm handling the bankruptcy, says that since 1978 Rewald has collected no more than \$1,500 from the CIA.

Rewald seemed infatuated with the idea of being a spy. In Milwaukee, he had frequented a nightclub called the Safe House, where waitresses wore abbreviated trench coats and the lights looked like hand grenades. Rewald planned to open a similar establishment in Honolulu, but nothing ever came of the project.

On several occasions, Rewald used his relationship with the CIA to cover questionable transactions. Clients would entrust securities to the firm, and Rewald sometimes had employees or relatives sell them. He explained that the securities came from highly placed foreigners who wished to shelter funds in the U.S. with the help of Bishop Baldwin and the CIA.

Along with his two forged Marquette diplomas, on his office wall hung a certificate identifying him as a member of the Association of Former Intelligence Officers. To credulous would-be investors, he displayed another bit of paraphernalia: a CIA identification card. A Honolulu psychologist invested \$18,000, partly because a Bishop Baldwin consultant said the firm was associated with the CIA. "The agency had suffered so many embarrassments in the past that I was sure they would screen a company they did business with to make certain that it was legitimate," says the psychologist.

Rewald snared at least two CIA men as investors. One was John Kindschi, a successor to the station chief who was his original contact. Kindschi joined Bishop Baldwin as a consultant when he retired. He put in \$185,000 of his own and \$112,000 for his mother Hazel in Wisconsin. Kindschi withdrew \$140,000 the day before Rewald's suicide attempt. Jack Rardin, who



A novelty store in Honolulu is selling emerald green T-shirts such as this one at \$7.50 each. To his victims, the joke wears poorly.

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OF THE  
FLAME.**



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arthritis  
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later took over the station-chief post, invested at least \$1,700.

Rewald used associations with military brass in the same way he used his CIA ties—as evidence for investors that the firm had high government connections. Gen. Hunter Harris, retired former Air Force commander for the Pacific, was arrested twice for drunken driving in 1981 and 1982. Rewald helped get him into an alcoholism rehabilitation program and paid some of his debts (using investors' funds). Rewald also obtained power of attorney over \$75,000 worth of South Korean oil drilling leases owned by Harris, promising in return to provide him a steady income. Impressed by this seemingly selfless gesture, high-ranking officers in the Air Force and Army invested substantial sums with Rewald.

Some would-be clients did try to check out Bishop Baldwin. The customary

Rewald said the company would earn big commissions on arms deals with India and Taiwan.

sources of information—the Better Business Bureau and the Hawaii Department of Commerce and Consumer Affairs—had nothing to report. Lawyer Thomason says that many of those he represents “called the usual run of investment advisers, and they simply wouldn’t commit themselves. Investors took a ‘not negative’ response as an endorsement.” An investigator used by General Harris told him that Rewald wasn’t who he claimed to be. Confronted with the accusation, Rewald offered to return funds to Harris on the spot. That was enough to convince Harris of his probity.

Bishop Baldwin’s financial statements—footnoted with the phrase “audited by Price Waterhouse” (they weren’t)—received barely a glance from most investors. Says Chester Owen: “When I saw that the firm had \$1.23 billion in assets in 1981, what did I have to ask?” Yet the statements were amateurish fakes. The 1982 balance sheet was precisely the same as that of the previous year except that the last digit of each entry was dropped, reducing the firm’s net worth by a factor of 10.

What projects was Bishop Baldwin investing in that could produce an annual

yield of 20%, as promised? Most people didn’t ask, but everybody who did got a different explanation. Patricia Brug thought the funds went for start-up construction loans. The psychologist was told that the money went for wrap-up construction loans. There was also talk of real estate developments on Oahu, the mainland and in Europe, steel companies in Asia, tea plantations in Indonesia and small businesses that were just about to become profitable. Rewald told his closest associates that the company would earn big commissions on CIA arms deals with India and Taiwan. When one woman inquired what her money would be going for, Rewald said that he wanted to hear clients’ views on how their funds should be invested. She replied that she had heard that real estate in the Kona district on the Big Island was soaring in value. Indeed, Rewald readily affirmed, Bishop Baldwin already had substantial holdings there.

So far, bankruptcy consultant Hayes has found no proof that clients’ money was invested in such ventures. It went in a single bank account into which Rewald dipped to pay his personal expenses. Not only did he draw \$20,000 a month in salary, but also, according to Hayes, in the two months before his attempted suicide, Rewald took from investors’ funds about \$50,000 for mortgage payments on his house and ranches, \$9,000 to pay his kids’ tutor and \$13,000 for relatives. A lot of money disappeared into Bishop Baldwin, the polo club and other unprofitable enterprises. Today Rewald’s businesses and related assets, including General Harris’ oil drilling investments, are worth \$1.5 million. After Bishop Baldwin funds pay the fees of Hayes and the bankruptcy lawyers, however, little will be left.

It was an anonymous phone call that led to the TV report that brought about Rewald’s undoing. It wasn’t the diligence of government watchdog agencies, which had received complaints but failed to press investigations. The SEC didn’t make its move until a week after the TV report. The Internal Revenue Service launched an inquiry, for reasons officials won’t disclose, in November 1982, but it never went anywhere. When the IRS’ agent in Honolulu demanded to see his and Bishop Baldwin’s financial records, Rewald attempted to get Jack Rardin, who was then CIA station chief in Honolulu, to have the IRS “stand down.” But in February the IRS again pushed, though not very hard, for records. Meanwhile, Bishop Baldwin was taking in more investment money than ever be-



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fore—\$3.2 million in April and May and \$2.6 million in June and July.

The firm's collapse left investors with questions about government agencies. What's the point of requiring firms to register with the SEC if they don't have to disclose key information and if the information they do provide is never checked? Why did the IRS allow Rewald to stall its investigation for nine months, and would he still be stalling that agency if others hadn't caught up with him? If Rewald was only a bit player in the murky drama of cloak and dagger, should the CIA have allowed him to impersonate a major operative? Or if he was a full-fledged agent, why did the CIA let him

His relatives did not escape his anti-Midas touch. His wife has been looking for jobs cleaning houses.

operate a Ponzi scheme? To many observers, it looks as though the CIA was a party to a swindle of U.S. citizens.

Indeed, Rewald's victims have been left with questions and little else. One 46-year-old nurse was planning to retire to part-time work on her Bishop Baldwin interest payments. The loss of her money has forced her to keep her job, take in a roommate and look for ways to moonlight. Patricia Brug, the Air Force widow who invested \$75,000, can no longer afford the cost of treatment for a son with a chronic bone disease. An elderly doctor was forced to sell his house and move to a smaller one. One Big Island retiree, cheated out of his nest egg, is working at a minimum-wage job. Even Rewald's relatives did not escape his anti-Midas touch. His wife's uncle, Nicholas Imp of Sherman Oaks, Calif., lost \$52,000. And Nancy Rewald, who has returned to Milwaukee, has been looking for jobs cleaning houses.

A few people stand to profit by Rewald's exploits. Consultant Hayes is currently getting \$9,000 a month. The case has been a windfall for Honolulu's legal community. And then there are the people on the sidelines trying to make money from Hawaii's morbid fascination with the case. For \$7.50 at Mr. Lucky's, a novelty shop in Honolulu's Chinatown, you can buy a T-shirt that proclaims: **FREE REWALD. IT'S ONLY MONEY.**